

Summary

Many of Asia's large cities served as centers of trade for centuries. As a result, they possess historic urban cores that initially functioned as these cities' centers of commerce. While most of these cores still stand replete with buildings, artifacts, and other features of historical and cultural value, these living museums fell into neglect during the 20th century, often as an unintended by-product of rapid urbanization.

Rapid urban growth often leads to the collapse of large cities' historic urban cores, since urbanization generally occurs at a more rapid pace at cities' peripheries than centers. Examples of this phenomenon abound in Southeast Asia, such as in Jakarta, Malacca, Manila, Penang, Saigon, Semarang, and the historic centers of cities of similar size in the People's Republic of China (PRC), India, Nepal, and Pakistan. From the point of view of economic efficiency, neglect of these historic urban centers represents a foregone opportunity for growth in national income. Their revitalization, which without exception includes upgrading of their infrastructure, increases not only the value of the real estate on which they stand, but likewise their attractiveness to commerce, tourism, and trade.

Further, these historic urban centers represent compelling opportunities for public-private partnership investment projects that often multiply many times over the development impact of each unit of government expenditure. Revitalizing Asia's historic urban centers thus makes sense from numerous perspectives, including economic efficiency; promotion of commerce, trade, and tourism; employment creation; poverty reduction; and the strengthening of civic and national pride.



The Asian Development Bank (ADB) recognizes the multi-faceted potential of the historic urban cores of Asia's cities, and as a result, has included revitalization of historic urban centers as one of many facets of its urban development strategy.¹ ADB likewise recognizes that rapid economic growth, which many of Asia's larger cities have experienced in recent decades, has been sufficient in scope and impact to enable Asia's urban centers to become clients of not only subsovereign lending instruments, but public-private partnership investments as well.

ADB's Innovation and Efficiency Initiative thus includes subsovereign financing instruments well suited to revitalization of historic urban centers, since many of them support lending to the private sector.² Examples include equity funding and guarantees, multitranche lending, and local currency loans. Such financing vehicles open the door not only to revitalization of the historic urban cores of Asia's great cities, but as well to its concomitant economic benefits.

ADB has a wide mix of financing instruments to meet both public and private financing requirements of historic urban center revitalization. By design, ADB's flexible financing arrangements strengthen the role of government as facilitator and that of the private sector as the main driver of physical and economic revitalization. They thus should be viewed as instruments of privatization and economic efficiency for Asia's developing countries.

Both the World Bank and the Inter-American Development Bank (IADB) have successfully financed the revitalization of historic urban centers in Argentina, Brazil, PRC, Ecuador, Jordan, Morocco, and Russia. Characteristic of these projects is their orientation toward economic revitalization and development of specific sectors such as tourism, or particular economic features such as environmental sustainability.

In general, successful inner-city revitalization strategies bring together key public- and private-sector participants in a setting that emphasizes the benefits of revitalization projects likely to accrue to each participant. Further, the initial focus is on small interventions that serve as the foundation for a series of projects that ultimately result in broad coverage of the urban center in question. Such an incremental approach builds trust among participants and allows

¹ ADB. 2005. *Urban Development Strategy*. Manila.

² ADB. 2005. *Innovation and Efficiency Initiative*. Manila.

them to experience the benefits of urban revitalization in a non-disruptive way. Growing trust and acceptance among participants allows the scale of such interventions to increase until the revitalization initiative is complete. Such an incremental and process-based approach to revitalization of the historic urban core has been found to be the most efficient path to success. Thus, it would probably work best in the revitalization of, for example, the vast historic area comprising Ha Noi's urban core, Kota Tua (Old Town) in Jakarta, and Intramuros (Walled City) in Manila.

In general, the overall goal of such a process is to formulate a consensus-based revitalization strategy that emphasizes a private-public approach to inner-city revitalization. External assistance can develop the basis for an urban revitalization fund, which is a financial facility that can be used by both private and public institutions associated with the revitalization of historic urban centers.

The components of such a typical urban revitalization strategy requiring financing include: (i) construction and/or rehabilitation of relevant infrastructure and measures for improvement of the physical environment; (ii) upgrading of slum tenements; (iii) adaptive rehabilitation of existing buildings and construction of new commercial and housing complexes where appropriate; (iv) a support facility for small and medium-sized enterprises (SMEs) including tourism-related businesses; and (v) the building of institutional capacity for management of the revitalization initiative that inevitably involves both public and private entities and, as a result, requires extensive consultation with, and participation by, relevant stakeholders.

Similarly, such a revitalization strategy must address the issues currently impeding urban revitalization. This includes factors constraining the financing of urban revitalization, whether these occur in the legal, institutional, or financial dimensions. For example, the recycling of historic properties from their current uses into a new set of economic activities raises land ownership and management issues that can only be successfully resolved through consensus. Often, establishment of a historic city corporation that undertakes information campaigns and functions as a focal point for consultation is an important part of a successful strategy for transforming historic urban centers to more productive and efficient uses.

Given success in project design, planning, and implementation, the expected outputs of urban revitalization initiatives will be as follows:

- (i) construction or upgrading of essential infrastructure and improvement of the physical environment;

- (ii) rehabilitation of dilapidated housing and elimination of slums;
- (iii) adaptive reuse of existing buildings of historical value, and construction of new commercial facilities and housing in a manner appropriate to, and in harmony with, the historic aspects of the area being revitalized;
- (iv) development of SMEs; and
- (v) building of institutional capacity for management of the revitalization effort.

In virtually all urban revitalization initiatives, success in forming investment partnerships with the private sector is key, since it is private initiative that sustains urban revitalization over time. Further, forming such partnerships requires policies and projects that respond to the budget constraints of citizens and businesses currently active in the historic urban areas in question, while at the same time promoting a commercial orientation to the revitalization effort. Specifically, projects based on the private sector principles of build–operate–transfer; build–operate–own; and build, finance, and transfer are likely to constitute the most successful approach, provided that these can be modified to meet the requirements of the urban revitalization initiative in question.

Finally, success in such efforts cannot be expected without putting into place a legislative framework that both facilitates the overall revitalization effort and exposes participating entities to market forces. For example, abolishing rent controls is likely to be a precondition to success, since these have formed a major constraint to revitalization of Asia's historic urban centers to date. Open-minded city management that supports urban revitalization is likewise essential. Examples of such open-mindedness include not only the inclusion of urban renewal guidelines, but even the provision of model documents and contracts as a means of providing information on the intent of city managers and facilitating the completion of agreements necessary for moving specific projects forward. Such acts signal to investors the intent of city managers to support profitable initiatives that lead to revitalization of the historic urban core. At a base level, this reduces uncertainty and replaces it with investor confidence, the latter being key to stimulating the type of private investment necessary for equipping Asia's great cities to meet the globalization and environmental sustainability challenges of the 21st century.